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TO RUEHC/SECSTATE WASHDC PRIORITY 1907
INFO RUEHOO/CHINA POSTS COLLECTIVE PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RHMFIUU/DEPT OF ENERGY WASHINGTON DC PRIORITY
RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY

UNCLAS BEIJING 000152

SENSITIVE
SIPDIS

STATE FOR EAP/CM AND EEB/ESC
TREASURY FOR OASIA/DOHNER, CUSHMAN

E.O. 12958: N/A

TAGS: [ENRG](#) [EINV](#) [ECON](#) [EPET](#) [EFIN](#) [CH](#)

SUBJECT: CHINA CUTS GASOLINE AND DIESEL PRICES, AGAIN

REF: 08 BEIJING 04615

¶1. (U) Official media reported on January 14 that China cut its benchmark retail gasoline and diesel prices by 2 percent and 3.2 percent respectively. This is the first cut since China's new pricing mechanism took effect at the beginning of 2009 (see Ref). This move follows the Government's December 19 move to cut the price for gasoline by 14 percent and 18 percent for diesel. After this price cut, gasoline prices for 93 octane have now fallen to RMB 5.44 per liter (3.03 USD per gallon). (Note: Singapore gasoline spot prices are running around 1.13 USD per gallon at the moment. End Note.)

¶2. (SBU) Official media cited Xu Kunlin, Deputy Director General of the National Development and Reform Commission (NDRC) Pricing Bureau, as saying the cut is triggered by the crude oil price decline in global markets and that there is still room for a further cut in domestic fuel prices despite recent fluctuations in global prices. An NDRC researcher was also quoted saying the price change "means domestic fuel prices will react more quickly to changes on the global markets in the future." The NDRC, however, also said in a statement on its website that it is not appropriate that fuel prices be adjusted "too frequently." Zhao Ying, Senior Researcher at the Institute of Industrial Research, Chinese Academy of Social Sciences, commented to Econoff on 16 January that the fuel price decrease is one of a series of measures by the government to increase car sales and expand domestic internal demand. Comment: This latest move can be seen as part of an effort to bring fuel prices into line with world prices and therefore as a market-friendly move. But the small size of this price cut actually helps make up for refiners' losses incurred when retail prices did not cover the cost of inputs. This move therefore has an interventionist aspect as well. End Comment.

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